

Message Text

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ACTION INT-05

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INFO AMEMBASSY MBABANE

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DEPT PASS COMMERCE, OPIC AND BUMINES

E.O. 11652: N/A

TAGS: EMIN SF WZ

SUBJ: INTEREST OF U.S. COMPANY IN SWAZILAND BARITE

REF: A) MBABANE 2036 (NOTAL); B) STATE 272938 (NOTAL);
C) STATE 288786 (NOTAL)

BEGIN UNCLASSIFIED

1. REGIONAL MINERALS OFFICER SWEETWOOD MET DECEMBER 15 WITH IMCO (HALLIBURTON) SOUTH AFRICAN REP WILLIAM R. JORDAN (REF. A) AND SWAZILAND BARYTES LIMITED PRESIDENT D.G. KLIPIN. DISCUSSIONS DURING THIS MOST RECENT OF SEVERAL MEETINGS CENTERED ON JORDAN'S DECEMBER 9-10 VISIT TO SWAZILAND (REF. A) AND PROGRESS MADE RELATIVE TO IMCO'S POSSIBLE ROLE AS A PARTNER/ COMMODITY PURCHASER; AND AS TO FINANCING, MARKET SURVEYS AND MINE PRODUCTION CAPABILITIES.

2. JORDAN NOTED THAT HE HAD RECEIVED CABLE FROM IMCO'S HOUSTON
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OFFICE, SUBSEQUENT TO HIS SWAZILAND VISIT, INDICATING THE IMCO/

HALLIBURTON'S NEW SINGAPORE CUSTOM BENEFICIATION PLANT MAY BE POSSIBLE BUYER OF MINE-RUN, BULK, SWAZILAND BARITE IF PRICE AND VOLUMES ARE RIGHT. HOUSTON ALSO REQUESTED C.I.F. U.S. GULF PORTQUOTATIONS ON BULK AND BAGGED BARITE GROUND AND BENEFICIATED IN SWAZILAND. JORDAN'S REPLY WILL BE INCLUDED IN FULL REPORT (CURRENTLY UNDER PREPARATION) CITED IN REF. A. MAIN THRUST OF JORDAN REPORT WILL STRESS ECONOMIC VIABILITY OF THIS OCCURRENCE, GROWING DEMAND FOR OIL WELL DRILLING MUD-GRADE BARITE IN PERSIAN GULF, INDONESIA AND FAR EAST, AND IMPORTANCE TO IMCO IN HIS VIEW. JORDAN DOES NOT HAVE AUTHORITY TO NEGOTIATE CONTRACTS OR EQUITY-SHARE PARTNERSHIPS. HE WILL THUS ONLY REQUEST THAT HOUSTON CONSIDER THIS OPPORTUNITY FAVORABLY AND WILL SUGGEST THAT IMCO SEND APPROPRIATE NEGOTIATING TEAM TO JOHANNESBURG AND MBABANE AT EARLIEST POSSIBLE DATE. MEANWHILE, NATIONAL INDUSTRIAL DEVELOPMENT CORPORATION OF SWAZILAND (NIDCS) (REF. A) AND JOHANNESBURG CHASE MANHATTAN BANK REP WALTER NIEGOWSKI HAVE EXPRESSED RESPECTIVE INTERESTS IN FURTHERING PROJECT.

3. MINOFF AND AMEMBASSY MBABANE CHARGE LANE VISITED SWAZILAND BARYTES LTD. (SBL) MINE AND PILOT PLANT NOVEMBER 14. THE MINE IS LOCATED IN THE LONDOSI RIVER VALLEY OF NORTHWEST SWAZILAND, ABOUT 2.5 MILES FROM OSHOEK BORDER POST ON THE SOUTH AFRICA/SWAZILAND BORDER. ADEQUATE RAIL FACILITIES EXIST AT KADAKE STATION 1.5 MILES FROM THE MINE. OVERSEAS EXPORTS WOULD USE RAIL FACILITIES TO LOURENCO MARQUES (176 MILES) OR ALTERNATIVELY RICHARDS BAY (BY 1976/77) (ABOUT 280 MILES). A 1974 FEASIBILITY STUDY COMPLETED FOR SBL GIVES CURRENTLY-PROVED RESERVE OF 248,000 TONS OF ORE IN 7-FT. THICK ZONE AT AVERAGE MINE-RUN SPECIFIC GRAVITY OF 3.28. OF TOTAL TONNAGE, 32,000-35,000 TONS ARE BLOCKED FOR IMMEDIATE MINING USING UNDERGROUND METHODS. BENEFICIATION TESTS PROVE THAT PRINCIPAL GANGUE MATERIAL (QUARTZ) CAN BE SUFFICIENTLY REDUCED BY GRAVITY SEPARATION AND FLOTATION TO YIELD PRODUCT OF SP. GR. 4.2-4.3; ECONOMICALLY; AT CURRENT AND PROJECTED WORLD MARKET PRICES.

4. IN SWEETWOOD'S VIEW, FOLLOWING STUDY OF SURFACE GEOLOGY, UNDERGROUND EXAMINATION OF MINE, AND PILOT PLANT FACILITIES, THIS OPERATION MAY BE RECOMMENDED FOR EARLY FULL-SCALE DEVELOPMENT. THE EXCEPTIONALLY THICK AND CONTINUOUS OREBODY (SEDIMENT-LIKE IN APPEARANCE, BUT IN REALITY A SERIES OF WELL-LIMITED OFFICIAL USE

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DEVELOPED, CONTIGUOUS, VEINS SEPARATING BIOTITE QUARTZ AND AMPHIBOLE GNEISSES) MAY BE SATISFACTORILY MINED ON LARGE SCALE. RECOVERIES FROM STRIKE LENGTH OF OVER 4,500 FEET AND DOWN-DIP DEVELOPMENT (30-35 DEGREES) SUGGEST "POSSIBLE" ORE RESERVES WILL IN EXCESS OF 2.0 MILLION TONS. ADDITIONAL LONG HOLE DRILLING AND UNDERGROUND DEVELOPMENT DOWN-DIP ARE, OF COURSE, REQUIRED. ADDING TO FAVORABILITY IS RESULT OF EXCELLENT GUIDANCE RECENTLY ADVANCED BY BUMINES ON BARITE MARKETING CONDITIONS AND FORECAST

(REFS B AND C). BUMINES DATA IMMEASURABLY ASSISTED SBL OFFICIALS AND IMCO/HALLIBURTON REP IN THEIR RESPECTIVE ECONOMIC ASSESSMENTS.

5. PRODUCT OPTIONS INCLUDE (1) MINE-RUN BARITE (AT, SAY, SP. GR. 3.28), (2) SELECTIVELY MINED, UNTREATED, FINE GROUND OR LUMP BARITE (AT POSSIBLY SP. GR. 3.8-3.9), AND/OR (3) BENEFICIATED BARITE, FINE GROUND, BULK OR BAGGED (AT SP. GR. 4.2-4.3). MINE AND PLANT PRODUCTION COULD BE PEGGED AT MAXIMUM OF 20,000 TONS MONTHLY (ALL GRADES) IF DEMAND WARRANTS, AND GIVEN ADEQUATE ORE RESERVE AND MINE DEVELOPMENT. IMCO REP FAVORS, AND WILL RECOMMEND, SELECTIVELY MINED MINE-RUN ORE CONCEPT FOR BULK SHIPMENT OT FIRM'S SINGAPORE BENEFICIATION PLANT. END UNCLASS.

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6. FYI: IN LOCAL CIRCLES, THIS BARITE OCCURRENCE HAS BEEN KNOWN FOR MANY YEARS. IT HAS LONG BEEN JUDGED BY SOUTH AFRICAN GEOLOGISTS TO BE AN EXCELLENT DEPOSIT BY WORLD STANDARDS, BUT IT HELD LITTLE INTEREST TO ENTREPRENEURS FOR OBVIOUS ECONOMIC REASONS: THERE WAS NO NOTABLE DEMAND ON THE WORLD MARKET FOR BARITE FROM THE SOUTHERN AFRICA REGION, AND, IN ANY EVENT, VOLUMES CONSUMED ANNUALLY (LOCALLY AND ELSEWHERE) WERE UNIMPORTANT. RECENTLY ACCELERATED OIL EXPLORATION PROGRAMS THROUGHOUT THE WORLD HAVE, HOWEVER, CREATED AN ENTIRELY NEW OUTLOOK. REPORTEDLY, IMCO'S INTEREST STEMS FROM DISAPPOINTING RESULTS ENCOUNTERED RECENTLY USING POOR QUALITY PAKISTANI AND INDIAN BARITES, AND FROM CURRENTLY-TIGHT MARKET CONDITIONS (AND HIGH FREIGHT RATES) OF U.S. AND WEST EUROPEAN BARITES. JORDAN HOLDS THAT IMCO NEEDS AN ADDITIONAL SOURCE OF SUPPLY. IF HOUSTON AGREES, NEGOTIATIONS MAY BE EXPECTED TO MOVE RAPIDLY. IF NOT, INQUIRIES FROM OTHER BARITE BUYERS/ CONSUMERS MAY FOLLOW (MILCHEM, NL INDUSTRIES, AND OTHERS). IT WOULD NOT BE ILLOGICAL LIMITED OFFICIAL USE

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TO ASSUME THAT OTHER, FOREIGN COUNTRY, BUYERS MAY RESPOND AS WELL; AS THE WORD OF THIS OCCURRENCE SPREADS THROUGH THE INDUSTRY. WE BELIEVE, THEREFORE, THAT USG INTERESTS WILL BE SERVED USEFULLY IF APPROPRIATE GUIDANCE AND ASSISTANCE CAN BE GIVEN TO IMCO AND, IF IMCO/SBL NEGOTIATIONS TERMINATE, TO OTHER AMERICAN FIRMS THAT MAY BENEFIT FROM THIS POTENTIAL SOURCE OF SUPPLY. END FYI. END LIMITED OFFICIAL USE.
GUTHRIE

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